CONSOLIDATED CANADIAN FARADAY LIMITED

1972 ANNUAL REPORT

CONSOLIDATED CANADIAN FARADAY LIMITED

Directors:	W. Clarke Campbell Ashton W. Johnston Jules Loeb Howard A. Masson John K. McCausland Randolph P. Mills George T. Smith Archibald B. Whitelaw Charles E. Winters
Officers:	Ashton W. Johnston, *Chairman of the Board* W. Clarke Campbell, *President* Jules Loeb, *Executive Vice-President* John R. Bridger, *Vice-President, Operations* William M. O'Shaughnessy, *Secretary-Treasurer*
Registrar and Transfer Agent:	Guaranty Trust Company of Canada Toronto, Montreal, Vancouver
Co-Transfer Agent:	Bank of Montreal Trust Company New York, N.Y.
Auditors:	Thorne Gunn & Co. Toronto, Ontario
Mine Office:	Werner Lake, Ontario
Head Office:	Suite 1600, 100 Adelaide Street West, Toronto, Ontario

TO THE SHAREHOLDERS:

With this annual report are financial statements covering the fiscal year ended December 31, 1972. Operations reviews are also included.

Financial statements for Dumbarton Mines Limited, 50%-owned by Faraday, are also supplied.

Mining Operations

Elsewhere in this report a full operations review is provided by the manager of the Werner Lake property and Dumbarton Mines.

Following the cessation of production at the Werner Lake mine in the second half of 1972, daily ore production rate from the Dumbarton mine was increased. Although management is faced with significant cost increases, notably in transportation and smelting and refining charges, operating profit has improved at Dumbarton and efforts to achieve further improvements are carrying forward.

Negotiations are in progress with Maskwa Nickel Chrome Mines Limited, our partner in Dumbarton Mines Limited, to permit exploitation of those areas of the Maskwa property to the east and west of the areas held under lease by Dumbarton. The agreement would involve mining and milling on a royalty or profit-sharing basis, subject to the requisite permission from the Government of Manitoba for the processing of ores outside the province. Pending completion of negotiations and granting of provincial export permits, a program of surface diamond drilling has been initiated to determine the ore potential of the new areas. Favorable results of the program could substantially increase the life of your company's operations in the Werner Lake area.

The Bancroft area, Ontario, uranium mine and mill have been maintained in good condition following the decision by Federal Resources Corporation, of New York, to exercise its option to acquire 51% in the property. Faraday would retain 49% interest when Federal places the mine into production.

Petroleum Interests

Shareholders will recall that in late 1971 Faraday purchased natural gas interests in the Redcliffe area of southeastern Alberta. Initially, an 11% interest in 120 sections was acquired, giving Faraday a share in 2,000 million cubic feet of proven, marketable gas and in an additional 2,000 million cubic feet of probable reserves.

Within the sections where interests are held, Faraday, late in 1972, sold its interest in shallow gas rights, in 64,000 acres, for $495,000. This gave Faraday a cash profit on its total investment in the area.

At the same time, the company retains a 50% participation in the deep oil and gas rights interest, for 13,760 acres, along with full 11.017% working interest in some 11,520 acres of the original acreage purchased.

A development program is to be carried forward in 1973 on the acreage where Faraday retains interests. Alberta Eastern Gas Limited is the operator.

More recently, further interests have been acquired in the oil and gas industry.

New Programs

Faraday has purchased 100% interest in Intercontinental Energy Corporation, a Texas company which has holdings in Alberta and Saskatchewan. Acquired in this purchase is 50% working interest in 4,800 million cubic feet of proven gas reserves and 3,200 million cubic feet of probable reserves, contained in 15,360 acres. This holding, in the Saddle Lake area of northern Alberta, is expected to go on production stream late in 1974. Intercontinental is the operator.

Intercontinental, which will in future carry out Faraday's U.S. activities, also holds interests in 1,500 acres in the Midale section of Saskatchewan. This is wildcat acreage, located in a trend where possibilities of production are considered good.

In the U.S., Faraday has acquired an option to purchase on favorable terms a total of 1,440 acres in the Green County oilfield, about 80 miles south of Louisville, Kentucky. While not discounting the primary production potential of the field, the attractiveness of the acquisition lies in secondary recovery potential.

Present geological information will be supplemented by the drilling of three additional wells before the company considers exercise of its option and proceeding on a waterflood

program. Production is relatively shallow, being reached at the 400-foot horizon. Geologically the field is similar to the Rodney field of southern Ontario where primary and secondary recovery to date has reached 5,000 barrels per acre.

Operations in the Green County field will be under the direction of the company's consultant, A. E. MacKay, who initiated the successful secondary recovery program in the Rodney field.

Exploration Activities

The major, continuing exploration project for Faraday is its participation in the Greenartic Consortium, a group of Canadian companies which holds reservations which cover some 30 million acres in northern Greenland.

As a result of progress reports now available to the Consortium from J. C. Sproule & Associates, consultants to the Consortium, the executive committee of the Consortium is in Denmark with its application for exclusive licensing of areas in which your company holds interests.

The committee informs us that it feels confident the application will be granted in view of the technical program and data developed since 1969.

The Consortium has been approached by a number of major oil companies who wish to participate in future programs. The final report from J. C. Sproule & Associates was supplied on May 31, 1973, and subject to Danish Government approval, certain of these majors are prepared to provide funds and technical assistance to the drilling programs for gas and oil.

Interest in minerals potential is increasing and contracts have been let by the Consortium to carry out further exploration on acreage shared by Faraday.

Gold, Industrial Minerals

Other exploration projects have been undertaken, in addition to the company's share in mineral interests of its associated company, Hydra Explorations Limited.

Currently, Hydra's most noteworthy interest is a 50% ownership in Johnsby Mines Limited, which holds a large, low-grade gold prospect in the Indin Lake area of the Northwest Territories. The increases in the price of gold are placing new importance on this prospect where original exploration had indicated some ten million tons averaging $2.77 at $35-per-oz. gold.

On its own behalf, Faraday owns and leases lots in the Parry Sound area of northern Ontario where a diamond drilling program is now underway on crystalline limestone deposits. Metallurgical tests have been very encouraging. It is hoped to develop a milling process to provide filler material for the paint, plastics and rubber industries.

General

As reported to shareholders last summer, a decision to terminate operations at the Werner Lake mine was regretfully taken during the third quarter of 1972. Continuing problems with the Werner Lake ores ultimately forced this action.

It may be of interest, however, to recall that in the ten years of the Werner Lake mine's production life, some 26.7 million pounds of nickel and 14 million pounds of copper, with platinum and paladium, were produced with a net value of $25 million.

This contribution to Canada's mineral production was in addition to other metals output prior to and during that time, from Faraday, its predecessor and associated companies. Specifically, this amounted to a further net value of $73.9 million and included uranium ($54.4 million) from the Bancroft mine in the period 1957-64; molybdenum ($6.6 million) from the Red Mountain mine in the period 1966-71; and nickel and copper ($12.9 million to the end of 1972) from the producing Dumbarton mine.

Shareholders may note that Messrs. Ashton W. Johnston and John K. McCausland are not standing for re-election to the board. On behalf of all directors, I wish to express warm gratitude to these men for their years of important and valued service to Faraday and its predecessor companies.

On behalf of the Board,

W. C. Campbell

W. Clarke Campbell,
President.

May 31, 1973.

WERNER LAKE DIVISION

Underground production from the Werner Lake Mine ceased September 7, 1972, as losses in revenue clearly indicated the operation was no longer economical. Decreased tonnage, ore dilution, higher operating costs, increased smelter and refining charges attributed to the differences between profit and loss.

Production from Werner Lake up until operations ceased totalled 56,696 dry tons of ore milled at a rate of 226 tons per calendar day. The production of concentrate produced totalled 2,899.65 dry tons with a recoverable metal content of 618,906 pounds of nickel and 342,158 pounds of copper and an estimated 86.697 ounces of platinum and 838.071 ounces of palladium.

MINING: During the year blast hole stopes accounted for 91% of the ore produced, with 5% coming from development and 4% from ore fill stopes. Although there were ten active operating stopes, it was difficult to maintain a regular rate of production since some of these stopes were pillar removals representing small tonnages. Dilution of the bulk of the reserves in 16-125, 7-114, and 3-151 from sloughing further reduced the grade below 0.70% nickel. This increased the mining costs as ore had to be selectively mucked and the low grade hoisted as waste. Caving of the ore pass between 450 and 700 levels necessitated hoisting from lip pockets on the 300 and 450 levels, thus further increasing the cost of mining.

Mining of the reserves ceased in September and all salvageable equipment, including the pumps, was removed by October. The underground workings were then left to flood.

MILLING: Until the cessation of mining operations in September of 1972 the rod mill circuit operated at a rate of 30.5 tons per hour to produce an average of 234 tons per operating day. The operating time for the circuit was 95.88% which is considered good.

There were continued improvements in metal recoveries and in the copper concentrate grade. The drop in the nickel concentrate grade is attributed to the lower grade of ore milled.

The general mechanical and physical condition of the mill has continued to improve. Early in the year a new rod mill shell liner and pinion was installed, and the bull gear reversed. During this change the sole plate and mill were realigned. Down time in the rod mill circuit has been virtually eliminated since these changes were implemented. Repairs and changes were also carried out on the standard and short head cone crushers and on the conveyor system.

The high speed gear reduction drive in the Allis chamber mill is being replaced with a heavier gear reducer. The present reducer is too light for the load and has been the cause of considerable down time. Changes have also been made in reagent feeding and control as well as in sampling procedures. Heating in the mill has been improved by the installation of a hot air furnace salvaged from the mine.

During the spring, summer and fall the tailings cyclone system is used to build dams for the retention of mill effluent. Improvements in the dam system have reduced the metal content in the effluent entering the Gordon Lake to meet the requirements of the Ontario Water Resources Commission.

A start has also been made in cultivating the tailings disposal area. Trial mixtures of alfalfa, sweet clover, timothy and fertilizer have met with some success and these tests will be continued this spring.

Performance figures are tabulated below with comparative data for 1971 and 1970.

	1972	1971	1970
Tons milled	56,696	99,731	105,504
Heads — nickel	0.78%	0.83%	0.79%
— copper	0.37%	0.35%	0.35%
Tails — nickel	0.18%	0.20%	0.21%
— copper	0.037%	0.043%	0.047%
Recoveries — nickel .	78.0%	76.82%	75.21%
— copper .	89.9%	88.42%	87.44%
Concentrate — nickel	11.89%	12.44%	10.37%
— copper	6.45%	5.99%	5.40%

COSTS: There were no capital expenditures in 1972.

With increased labour and material costs, costs of ore drilled and not blasted, high dilutions, a lower mining rate, coupled with increased smelter and refining charges, the operation at the minesite resulted in a loss of $1.88 per dry ton of ore milled.

Comparative cost figures per ton, not including head office expenditures, are as follows:

	1972	1971
Salvaging	0.14	—
Development	0.19	0.22
Mining	8.36	6.25
Milling	2.57	2.42
General expense	3.97	2.87
Marketing expense	1.03	1.03
	16.26	12.79

GENERAL: Underground openings to surface which include the main shaft and ventilation raises will be sealed with concrete bulkheads early in 1973, in compliance with the Ontario Mines Act.

During the latter part of 1971 and early 1972 severe freezing of the domestic water supply system occurred at the plant which necessitated having to upgrade the pumping system.

The last carload of concentrate shipped to International Nickel was on September 15, 1972.

Relations between the company and employees have remained normal.

Congratulations are in order for the mine rescue team from Consolidated Canadian Faraday. The team again won the Red Lake District Mine Rescue Competition for the third time in three years.

I wish to express my appreciation towards the mine staff and employees for their support and loyalty throughout the year. The co-operation and assistance of the directors and officers is also gratefully appreciated.

Respectfully submitted,

C. P. Moore, P.Eng.,

Manager, Werner Lake Division

April 5, 1973

DUMBARTON MINES LIMITED

Production from Dumbarton Mines Limited in 1972 totalled 313,506 tons trucked, of which 2,682 tons remained on the stock pile at the end of the year and 325,766 tons were milled at a rate of 890 tons per calendar day.

Stockpiling of the ore continued throughout the year, supplementing direct to-the-mill haulage shortfalls during the spring thaw and on week-ends.

The production of concentrate totalled 21,208.92 dry tons, with a recoverable metal content of 4,031,761 pounds of nickel and 1,492,912 pounds of copper.

MINING: Development of 5-310 stope in the west end of the mine continued throughout the year. Part of the stope was mined by shrinkage and the remainder by long hole methods. Further development is still required to mine the ore remnants west of the main stope.

The 5-510 stope in the "C" zone was undercut on the 500 level by drifting through the ore.

Ramps have been laid out to extend below the 500 level to the ore limits of "B", "C" and "D" zones.

The 500 east haulageway was driven to within 170 feet of the east boundary for the purpose of exploration.

In order to improve ventilation on the 500 level the escapeway system between the 250 and 500 level is being enlarged. Air will be forced directly to the 500 level and permitted to upcast through the workings.

Production from Dumbarton was increased to 950 tons per day after cessation of operations at the Werner Lake Mine. Development and ore supply schedules have been advanced to accommodate the increased tonnage.

Development footages for 1972 involved 3,008 feet of drifts and crosscuts and 883 feet of raising.

Production from sub-level benching and stope preparation, employing mobile long hole drills and load haul dump equipment for material handling, produced an average daily tonnage of 921 tons of ore per operating day. Approximately 86% of this ore came from 5-350 stope, 4% from 5-310 stope, 2% from 5-460 stope and 8% from stope preparation.

Waste rock crushed and conveyed from stope preparations and exploration drifting amounted to 67 tons per operating day.

EXPLORATION: During 1972 most of the exploration was concentrated on the portion of the lease area between the "B" ore zone and the east boundary of the property. The 500 east haulage was driven to within 170 feet of the east boundary and preliminary drilling was carried out on 100-foot sections. This work showed that the mineralized zone is continuous towards the east with marginal ore above the 500 level and average mine grade ore below the level.

Additional drilling was also done below the 500-foot level in the west and central portions of the mine but no ore was encountered in these areas.

All information thus far indicates that the known ore zone plunges towards the east at an average angle of 10 degrees. The deepest point at which ore has been intersected is 250 feet below the 500-foot level on section 5800 east which is 200 feet from the east boundary.

Surface diamond drilling included 454 feet in the west extension of the "B" zone and 3,023 feet in the upper portion of the "C" zone.

Underground diamond drilling included 8,074 feet of exploration drilling and 4,055 feet of detail drilling from the 500 level. This was followed by 8,225 feet of diamond drilling on stope detailing on the upper levels.

ORE RESERVES: The "D" zone and the lower portion of the "C" zone were drilled off and added to the proven reserves. The estimated probable ore in the "C" zone, however, remained unchanged due to additions to the reserves on the east as the result of recent drilling.

All ore reserves have been recalculated on the basis of 10% dilution and inaccessible and marginal ore have been deleted from the proven reserves.

Ore reserves as of December 31, 1972, are calculated below, based on 9.4 tons/cubic foot at 10% dilution:

	Tons	Nickel	Copper
Proven	542,463	0.90	0.29
Probable	154,000	0.91	0.29
	696,463	0.90	0.29

Proven reserves include 11,747 tons of broken ore underground and 2,682 tons of stock piled ore.

MILLING: The mill operated at a rate of 29.4 tons per hour on the rod mill circuit and 17.9 tons per hour on the ball mill circuit to produce an average of 979 tons per operating day.

The operating time for these combined circuits was 91.55% which is extremely good considering the changes that have taken place in the mill plant during the year.

There were further improvements this year in metal recovery and in the concentrate grade over the previous year, as indicated in the performance figures:

	1972	1971	1970
Tons milled	325,766	299,480	252,552
Heads — nickel	0.86%	0.86%	0.86%
— copper	0.28%	0.32%	0.34%
Tails — nickel	0.18%	0.18%	0.19%
— copper	0.03%	0.034%	0.042%
Concentrates — nickel	10.62%	10.17%	9.17%
— copper	3.92%	4.08%	3.10%
Recovery — nickel ..	80.3%	80.2%	79.0%
— copper ..	90.1%	90.2%	88.7%

COSTS: Total capital expenditures amounted to $59,552.76 which included a new JDT413 underground ore dump truck that was purchased to achieve lower maintenance costs on load haul dump equipment since haulage distances have more than doubled. Longer hauls are necessary to maintain production. A Plueger submersible pump was also purchased as standby equipment. Excluding capital expenditures, the operation made a profit of $2.72 per dry ton of ore milled at the minesite.

Higher costs reflect the much increased haulage distance from the stope draw points to the ore pass for the bulk of the production in 1972.

Increased smelter and refining charges have also had a marked effect in reducing the operating profit.

Comparative direct operating costs at the mine are as follows:

	1972	1971	1970
Development	0.90	0.96	0.96
Mining	2.35	1.77	1.91
Milling	2.34	2.08	2.17
General expenses	0.88	0.78	0.86
Overhead charges C.C.F. Ltd.	1.13	0.87	1.01
Crushing	0.39	0.33	0.29
Conveying	0.16	0.13	0.14
Ore and waste transport ...	1.53	1.53	1.20
Marketing	1.32	1.33	1.31
Charges for use of mill	0.71	0.81	0.73
Total	11.73	10.59	10.38

GENERAL: Plans for removing the surface pillars and covering the openings with reinforced concrete slabs without having to divert Highway 315 are being finalized.

Application to extend the boundaries of the present mining lease east and west are under consideration.

The closure of the Werner Lake mine in September and the increase in the price of nickel has improved the operating profit at the minesite in the past months.

An extensive development program was initiated at the beginning of this year and will continue throughout most of 1973.

Several promising electromagnetic conductors are to be tested by surface diamond drilling in the early spring.

During the year, the company and the employees continued to maintain a good relationship without a labour agreement.

I wish to express my appreciation to the staff and employees for their continued support and loyalty throughout the year. The co-operation and assistance of the company directors and officers is also appreciated.

Respectfully submitted,

C. P. Moore, P.Eng.,

Manager.

April 9, 1973.

CONSOLIDATED CANADIAN FARADAY LIMITED
(Incorporated under the laws of Ontario)
and consolidated subsidiaries

CONSOLIDATED BALANCE SHEET
DECEMBER 31, 1972
(with comparative figures at December 31, 1971)

ASSETS

	1972	1971
CURRENT ASSETS		
Cash and short-term deposits	$ 754,630	$ 544,971
Accounts receivable	126,258	118,674
Outstanding settlements, at estimated net realizable value, less advances (note 5)	14,545	336,981
Supplies and other prepaid expenses	237,869	268,230
	1,133,302	1,268,856
ACCOUNT RECEIVABLE less current portion included in current assets (note 2(b))		91,775
INVESTMENTS (notes 2 and 7)	3,349,600	3,267,026
FIXED ASSETS (note 3)		
Buildings, plant and equipment, at cost	10,989,604	10,985,174
Less accumulated depreciation	10,278,166	9,745,900
	711,438	1,239,274
Mining claims, rights, properties and leases, at cost less accumulated depletion of $409,609	394,716	394,716
Interest in petroleum and natural gas leases, at nominal value (note 4)	1	
	1,106,155	1,633,990
OTHER ASSETS	144,422	145,687
	$ 5,733,479	$ 6,407,334

Approved by the Board:

W. CLARKE CAMPBELL, Director.

JULES LOEB, Director.

LIABILITIES

	1972	1971
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 313,154	$ 218,519
6½% MORTGAGE PAYABLE, in instalments to September 1, 1976, less current portion included in accounts payable	76,114	97,701
	389,268	316,220

SHAREHOLDERS' EQUITY

	1972	1971
CAPITAL STOCK (note 6)		
Authorized — 5,000,000 shares of no par value		
Issued — 3,421,300 shares	6,459,747	6,459,747
CONTRIBUTED SURPLUS	1,506,061	1,506,061
	7,965,808	7,965,808
DEFICIT	2,621,597	1,874,694
	5,344,211	6,091,114
	$ 5,733,479	$ 6,407,334

Commitments and contingencies (note 10)

AUDITORS' REPORT

To the Shareholders of Consolidated Canadian Faraday Limited

We have examined the consolidated balance sheet of Consolidated Canadian Faraday Limited and consolidated subsidiaries as at December 31, 1972 and the consolidated statements of income, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
January 19, 1973
(March 16, 1973 as to note 10(c))

THORNE GUNN & CO.,
Chartered Accountants

CONSOLIDATED CANADIAN FARADAY LIMITED
and consolidated subsidiaries

CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 1972
(with comparative figures for 1971)

	1972	1971
Production of concentrates (note 5)	$ 774,113	$ 1,377,358
Rental and other income	304,725	310,568
Profit on petroleum and natural gas leases (note 4)	43,864	
	1,122,702	1,687,926
Operating expenses (including mortgage interest of $6,421 in 1972 and $7,754 in 1971)	967,045	1,350,122
	155,657	337,804
Depreciation	551,865	523,162
Amortization of deferred development expenditures		7,240
	551,865	530,402
Loss before undernoted items	(396,208)	(192,598)
Outside exploration	135,259	239,096
Provision for possible losses on investments (note 2(c))	215,436	152,372
Cost of mining claims abandoned		73,086
	350,695	464,554
Loss for the year	$ (746,903)	$ (657,152)
Loss per share	$ (0.22)	$ (0.19)

CONSOLIDATED STATEMENT OF DEFICIT
YEAR ENDED DECEMBER 31, 1972
(with comparative figures for 1971)

	1972	1971
Deficit at beginning of year	$ (1,874,694)	$ (1,217,542)
Loss for the year	(746,903)	(657,152)
Deficit at end of year	$ (2,621,597)	$ (1,874,694)

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
YEAR ENDED DECEMBER 31, 1972
(with comparative figures for 1971)

	1972	1971
Source of funds		
Operations		
Depreciation, amortization and other items not involving current funds	$ 763,249	$ 768,514
Deduct loss for the year	746,903	657,152
	16,346	111,362
Reduction of advances to other companies, net	124,999	179,792
Reduction in non-current account receivable	91,775	
Sale of fixed assets	447,501	24,595
Reduction of mortgage receivable	618	30,652
Sale of investments	17,314	12,462
Realization on investment in Red Mountain Mines		234,354
Recovery of interest in power line		16,698
	698,553	609,915
Application of funds		
Additions to fixed assets	466,549	23,599
Purchase of marketable securities	440,606	6,000
Reduction of mortgage payable	21,587	20,394
	928,742	49,993
Increase (decrease) in working capital	(230,189)	559,922
Working capital at beginning of year	1,050,337	490,415
Working capital at end of year	$ 820,148	$1,050,337

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1972

1. **BASIS OF CONSOLIDATION**

These financial statements consolidate the accounts of the following wholly-owned subsidiaries: Bancroft Holdings Limited, Farida, Inc., and Faramines, Inc. During 1972 the assets of the previously consolidated subsidiaries, NMC Securities Limited, FML Securities Limited and Waterfront Developments Limited, were distributed to the company. Greenoaks Mines Limited (53.06% owned) for which audited financial statements are not available and which is not material, is not included in the consolidation. This company is not presently active and full provision has been made for the investment therein.

2. **INVESTMENTS**

(a) These may be summarized as follows:

	Advances	Shares not in excess of cost	Provision for possible losses	Total	Quoted market value
Companies for which there is a quoted market value	$ 5,000	$1,062,555		$1,067,555	$ 763,853
Companies for which there is no quoted market value		203,738		203,738	
Henrietta Mines Limited (convertible debentures)	100,000			100,000	
				1,371,293	
Provision for possible loss on above investments			$ (606,000)	(606,000)	
				765,293	
Closely held companies:					
Prairie Potash Mines Limited		180,000		180,000	
Dumbarton Mines Limited (note 7)	2,804,204	103	(400,000)	2,404,307	
	$2,909,204	$1,446,396	$ (1,006,000)	$3,349,600	$ 763,853
1971 totals	$3,034,203	$1,006,073	$ (773,250)	$3,267,026	$ 352,112

Included in the quoted market value is $19,420 ($17,276 in 1971) representing escrowed shares which have been valued at 50% of the quoted market value of free shares.

Investment in companies for which there is a quoted market value include instances of large share holdings where quoted market values are not necessarily indicative of amounts which might be realized if the shares were to be sold.

(b) During 1971 the company disposed of its investment in Red Mountain Mines Limited of $979,681 for $326,129 of which $234,354 has been received. The balance of $91,775 is receivable in 1973.

The company retains a 37½ % interest in the mining properties.

(c) Provision for loss provided in the current year is made up as follows:

Dumbarton Mines Limited	$ 200,000
Other investments	32,750
	232,750
Less sale of investment	17,314
	$ 215,436

3. **DEPRECIATION AND DEPLETION POLICY**

(a) Depreciation

The net book value of the mine assets became fully provided for in 1972 at the termination of the life of the Werner Lake orebody. The remaining net book value of the mill assets amounting to $203,000 is being depreciated over the life of the Dumbarton Maskwa orebody.

Other fixed assets consisting mainly of the Florida, U.S.A. real estate operation of Farida, Inc., are being depreciated on a straight line basis over their estimated useful life.

(b) Depletion

It has not been common practice in Canada for mining companies to make provision for depletion of mining claims, rights, properties and leases and the company's present policy is to not make any provision in its accounts. Prior to amalgamation, one of the constituent companies did provide for depletion to the extent of $409,609, which is still carried in the accounts.

4. **INTEREST IN PETROLEUM AND NATURAL GAS LEASES**

During 1972 the company acquired an 11.017% interest in certain petroleum and natural gas leases in the Redcliffe area of south-eastern Alberta. Under the terms of a subsequent sale, the company retained its percentage interest in certain portions of proven acreage.

5. **WERNER LAKE OPERATIONS**

The company's mine at Werner Lake continued on a salvage basis until September when underground operations ceased. The mill continues to operate at full capacity processing ore from Dumbarton Mines Limited.

6. **CAPITAL STOCK**

Options on 163,750 shares at $1.50 per share have been granted and remain outstanding at December 31, 1972 under incentive option plans for key officers and personnel.

7. **DUMBARTON MINES LIMITED**

Pursuant to an agreement dated August 15, 1968 between Consolidated Canadian Faraday Limited and Maskwa Nickel Chrome Mines Limited each company owns 50% of the outstanding shares of Dumbarton. As required under the terms of the agreement Faraday prepared Maskwa's nickel-copper deposit for production at a rate of at least 700 tons of ore per day and extended its own mill to process such ore. It is provided that Faraday's advances for preparing the Maskwa mine for production and providing operating capital are to be repaid from the cash flow and operating profits thereafter, if any, will be divided equally between Maskwa and Faraday. Capital expenditures of $567,408 incurred by Faraday in extending the capacity of its mill are repayable through an amortization charge per ton of Maskwa ore treated.

Present operating costs and metal prices indicate a less than full recovery of advances from the mining and processing of the presently estimated ore reserves. Because of this $400,000 (1971, $200,000) has been provided to date against possible non-recovery of advances.

8. **INCOME TAXES**

The company has substantial depreciation, amortization and exploration expenditures available to offset taxable income of future years.

9. **OTHER STATUTORY INFORMATION**

Remuneration of directors and senior officers (as defined by The Business Corporations Act) amounts to $134,300 ($136,800 in 1971).

10. **COMMITMENTS AND CONTINGENCIES**

(a) Agreement with Federal Resources Corporation

Pursuant to the terms of an agreement dated September 8, 1966, as amended, Federal Resources Corporation, an unaffiliated company, has undertaken to organize and finance by December 31, 1975 an entity to acquire and operate the company's Bancroft (uranium) property. This commitment is accelerated in the event that a market for the product from the property is developed earlier. The company will retain a 49% interest. Under the terms of the agreement Federal has assumed responsibility for maintenance of the mine property.

(b) Guarantee

The company has pledged its book debts as collateral for its guarantee of a bank loan to Dumbarton Mines Limited in the amount $149,000 (1971, $123,000).

(c) Subsequent event

On March 16, 1973 the company offered to purchase the outstanding shares without nominal or par value of West Ridge Resources Ltd. at a price of 35¢ per share. The offer is conditional upon obtaining at least 80% of the 1,962,828 outstanding shares by April 6, 1973.

DUMBARTON MINES LIMITED
(Incorporated as a private company under the laws of Manitoba)

BALANCE SHEET – DECEMBER 31, 1972
(with comparative figures at December 31, 1971)

ASSETS

	1972	1971
CURRENT ASSETS		
Accounts receivable	$ 10,917	$ 9,726
Outstanding settlements and concentrates, at estimated net realizable value less advances	1,572,934	1,199,654
Ore stockpile, at cost	11,033	44,122
Supplies and other prepaid expenses	107,350	139,408
	1,702,234	1,392,910
FIXED ASSETS		
Buildings and equipment, at cost	1,636,409	1,580,607
Less accumulated depreciation	1,031,614	677,688
	604,795	902,919
PREPRODUCTION EXPENDITURES	1,254,124	1,254,124
Less accumulated amortization	808,896	548,349
	445,228	705,775
	$2,752,257	$3,001,604

LIABILITIES

	1972	1971
CURRENT LIABILITIES		
Bank overdraft	$ 38,868	$ 60,158
Bank loan, secured by assignment of book debts	149,000	123,000
Accounts payable and accrued liabilities	141,713	79,567
Mining tax payable	26,485	20,581
Advances from Consolidated Canadian Faraday Limited (note 3)	2,804,204	2,934,203
Total liabilities	3,160,270	3,217,509

CAPITAL STOCK AND DEFICIT

	1972	1971
CAPITAL STOCK		
Authorized and issued — 20,000 shares without par value	205	205
DEFICIT	(408,218)	(216,110)
	(408,013)	(215,905)
	$2,752,257	$3,001,604

Approved by the Board:

W. C. CAMPBELL, Director.

D. R. LOCHHEAD, Director.

STATEMENT OF INCOME

Year Ended December 31, 1972

(with comparative figures for 1971)

	1972	1971
Production of concentrates	$4,499,021	$4,140,248
Operating expenses other than below	3,873,118	3,209,166
Manitoba mining tax	7,510	30,870
	3,880,628	3,240,036
	618,393	900,212
Interest on advances from Consolidated Canadian Faraday Limited	196,028	213,881
Income before undernoted items	422,365	686,331
Depreciation	353,926	317,498
Amortization of preproduction expenditures	260,547	248,008
	614,473	565,506
Net income (loss) for the year (note 2)	$ (192,108)	$ 120,825

STATEMENT OF DEFICIT

Year Ended December 31, 1972

(with comparative figures for 1971)

	1972	1971
Deficit at beginning of year		
As previously reported	$ (197,110)	$ (336,935)
Adjustment of prior year's mining tax (note 4)	19,000	
As restated	(216,110)	(336,935)
Net income (loss) for the year	(192,108)	120,825
Deficit at end of year	$ (408,218)	$ (216,110)

AUDITORS' REPORT

To the Shareholders of Dumbarton Mines Limited

We have examined the balance sheet of Dumbarton Mines Limited as at December 31, 1972 and the statements of income, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1972 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
January 19, 1973.

THORNE GUNN & CO.,
Chartered Accountants

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year Ended December 31, 1972

(with comparative figures for 1971)

	1972	1971
SOURCE OF FUNDS		
Operations		
Net income (loss) for the year	$ (192,108)	$ 120,825
Depreciation and amortization of preproduction expenditures not involving current funds	614,473	565,506
	422,365	686,331
APPLICATION OF FUNDS		
Additions to fixed assets	55,802	76,708
Increase in working capital position	366,563	609,623
Working capital deficiency at beginning of year		
As previously reported	(1,805,599)	(2,434,222)
Adjustment of prior year's mining tax (note 4)	19,000	
As restated	(1,824,599)	(2,434,222)
Working capital deficiency at end of year	$ (1,458,036)	$ (1,824,599)

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 1972

1. FORMATION OF COMPANY

The Company was incorporated pursuant to an agreement between Consolidated Canadian Faraday Limited (Faraday) and Maskwa Nickel Chrome Mines Limited (Maskwa) whereby:

(i) Maskwa transferred to Dumbarton, under licence, the five mining claims covering the known deposit.

(ii) Costs of preparing the deposit for mining and amortization of the cost of Faraday extending its mill at Werner Lake to enable it to treat the ore produced were to be paid from the cash flow resulting from the sale of concentrates.

(iii) Faraday and Maskwa as equal shareholders of the Company participate equally in operating profits.

2. OPERATIONS

During 1972 production was increased to maintain mill feed subsequent to the termination of underground operations at the Werner Lake mine of Consolidated Canadian Faraday Limited. However, the resulting increased revenue was offset by an overall increase in costs of mining and milling.

3. ADVANCES FROM CONSOLIDATED CANADIAN FARADAY LIMITED

Interest is accrued on advances at Faraday's bank rate. As at December 31, 1972, the advances include interest of $24,290 ($156,502 in 1971).

4. ADJUSTMENT OF PRIOR YEAR'S MINING TAX

Comparative figures for 1971 in the accompanying financial statements have been restated to reflect an increase in the liability for mining taxes in that year.

5. OTHER STATUTORY INFORMATION

Remuneration of directors and senior officers

	1972	1971
Directors and officers	Nil	Nil
Other employees	$70,973	$75,935

CONSOLIDATED CANADIAN FARADAY LIMITED

1972
ANNUAL
REPORT

Printed in Ca

DUMBARTON MINES LIMITED

STATEMENT OF INCOME FOR THE SIX MONTHS ENDED JUNE 30, 1972

with comparative results for six months ended June 30, 1971
(subject to year-end adjustments and audit)

	1972	1971
Production of concentrates	$1,915,807	$2,131,004
Operating expenses	1,834,422	1,527,756
	81,385	603,248
Interest on advances from Cons. Canadian Faraday Ltd.	98,686	107,730
	(17,301)	495,518
Depreciation	165,550	158,800
Amortization of pre-production expenses	128,782	127,640
	294,332	286,440
Income (loss) for the period	$ (311,633)	$ 209,078

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

SIX MONTHS ENDED JUNE 30, 1972

	1972	1971
Source of funds:		
Operations:		
Income (loss) for the period	$ (311,633)	$ 209,078
Add (deduct) depreciation and amortization not involving current funds	(294,332)	286,440
	(17,301)	495,518
Application of funds:		
Additions to fixed assets	770	76,707
Increase (decrease) in working capital	(18,071)	418,811
Working capital deficiency at beginning of the year	1,805,599	2,443,728
Working capital deficiency at the end of the period	$1,823,670	$2,024,917

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CONSOLIDATED CANADIAN FARADAY LIMITED
100 Adelaide Street West • Toronto • Ontario • Canada

Printed in Canada

CONSOLIDATED CANADIAN FARADAY

1972 INTERIM REPORT

To the Shareholders:

Accompanying this report are statements of income and source and application of funds, covering the first six months of 1972, for your company and for Dumbarton Mines Limited in which Faraday has a 50% interest.

In 1962 your company's Werner Lake property was brought into production to provide a continuity of operation after fulfillment of contracts in 1964 for the sale of uranium oxide from the Bancroft property. It was anticipated that exploration would locate further ore reserves at Werner Lake. This proved, however, not to be the case.

To extend the life of the Werner Lake mine arrangements were made in 1968 to bring the nearby Dumbarton property into production. It was hoped that the reduced production level from the Werner Lake mine would continue for the life of the Dumbarton orebody. A plague of dilution problems, however, forced management to put the Werner Lake mine on a salvage basis and mining operations in the mine itself will cease this month.

Anticipating this eventuality, your company's management made plans to increase delivery capacity of the Dumbarton mine which had originally projected a production level of 700 tons per day. To increase this capacity to approximately 1,100 tons per day required major departures from the original mining plan, particularly during the last six months, and has forced the mining and milling of a substantial tonnage of lower grade ore. This particular ore did not demonstrate the continuity indicated by development drilling. Mining in this area of lower grade ore should be completed within the next month, after which there should be a decided improvement in ore grade.

Other areas of activity of your company are encouraging:

- The possibility of higher natural gas prices to the Western Canada producers adds a new lustre to prospects for the company's holdings in the Redcliffe area of southeastern Alberta.
- Uranium demand is expected to accelerate by late 1975 or early 1976. Discussions are currently in progress with Federal Resources Inc., which has exercised its option to place the Bancroft property into renewed production. This production commitment had been deferred to 1975.
- Faraday's important interest in the Greenarctic Consortium is maintained as the Consortium's major exploration program for 1972 is carried forward on petroleum and base metal prospects in Greenland.

Through its 36% holding in Hydra Explorations Limited, Faraday has an interest in Hydra's low grade gold prospect in the Indin Lake area of the Northwest Territories. This 44-claim property, together with a further 24 claims held by Discovery Mines Limited, has been put into a private company — Johnsby Mines Limited — whose shares are owned equally by Hydra and Discovery. Work on the combined property has indicated ten million tons averaging $2.77 at $35 gold. Recent increases in the price of gold attach a new significance to this property.

A change in the listing policy of the American Stock Exchange in April of this year made your company a candidate for delisting. Despite strong representation made on behalf of the company at a meeting on May 30, delisting procedure was launched and the shares were formally delisted by the A.S.E. as of June 26, 1972. This action has had a depressing effect on the market price of your company's shares. Shares of your company continue to be listed and traded on the Toronto, Canadian and Vancouver stock exchanges. They are also traded on the unlisted market in the United States.

On behalf of the board,

W. Clarke Campbell, President

Toronto, Ontario,
August 14, 1972.

CONSOLIDATED CANADIAN FARADAY LIMITED
and its consolidated subsidiaries

CONSOLIDATED STATEMENT OF INCOME
SIX MONTHS
ended June 30, 1972

with comparative results for six months ended June 30, 1971
(subject to year-end adjustments and audit)

		1972	1971
Gross revenue		$803,893	$863,653
Operating expenses		828,384	656,541
Income (loss)		(24,491)	207,112
Deduct (add)			
Depreciation and amortization of deferred development		(263,175)	269,275
Loss before undernoted items		287,666	62,163
Outside exploration	108,563		82,801
Allowance for loss on investments	100,729	209,292	—
Net loss for period		$496,958	$144,964

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	Six months ended June 30 1972	1971
Source of funds:		
Operations:		
Depreciation and amortization and other items not involving current funds	$363,904	$274,419
Deduct loss for the period	496,958	144,964
	(133,054)	129,455
Recovery of advances to Dumbarton Mines	115,079	157,876
Sale of investments	—	12,437
Disposal of fixed assets	—	26,405
Other	—	17,900
	(17,975)	344,073
Application of funds:		
Purchase of interest in gas acreage	389,347	—
Purchase of investments	—	6,000
Additions to fixed assets	7,658	14,242
Other	12,002	7,896
	409,007	28,138
Increase (decrease) in working capital position	(426,982)	315,935
Working capital at the beginning of the year	1,050,337	490,415
Working capital at the end of the period	$623,355	$806,350